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Subcommittee on Waterworks (Amendment) Regulation 2010

Meeting on 4 November 2010

Background brief

Purpose

This paper provides background information on the Administration's policy justifications for revising the items of fees and charges specified under the Waterworks Regulation (Cap. 102 sub. leg. A) (the Regulations) and the views and concerns of Members on some of those items in the past.

Background

2. Under the "user pays" principle, the Administration is of the stance that fees and charges should be set at levels sufficient to recover the full cost of providing the services. On 15 October 2010, the Secretary for Financial Services and the Treasury published in the Gazette the Waterworks (Amendment) Regulation 2010 (L. N. 129 of 2010) (the 2010 Amendment Regulation) to revise 18 items of fees and charges under Parts I and IV of Schedule 1 to the Regulations in relation to the following services:

- (a) reconnecting a fire service or inside service (item 2 in Part I of Schedule 1 to the Regulations);
- (b) providing and installing a meter, or providing a meter (item 3 in Part I of Schedule 1 to the Regulations);
- (c) resealing a fire service or meter (item 4 in Part I of Schedule 1 to the Regulations);
- (d) testing a meter or a private check meter (including removal and refixing) (item 5 in Part I of Schedule 1 to the Regulations);

- (e) issuance or renewal of plumber's licence, plumber's licence examination (items 6 to 8 in Part I of Schedule 1 to the Regulations); and
- (f) examination of a water sample, attendance to collect water sample and additional copy of examination report (items 1 to 3 in Part IV of Schedule 1 to the Regulations).

3. According to the Legislative Council Brief issued by the Development Bureau in October 2010, charges of 16 items are proposed to increase from 9.8 % to 16.2% and two items are proposed to decrease by 13.4% and 82.1% respectively. Details are given in Annex 1 to the Brief. Among the 18 items, 16 items were last revised in 1996 and two items in 2001. The Administration proposed that the new fees and charges would come into effect on 1 January 2011.

4. A review of the cost of providing the relevant services at the 2010-2011 price level has been carried out by the Administration recently. The result shows that the present cost recovery levels range from 64% to 116%. In order to achieve full cost recovery gradually and to avoid a steep fee increase, the Administration proposed to adopt the following lines for the fees and charges revision:

- (a) for existing cost recovery rate of between 40% and 70%, adopt an increase of about 15%;
- (b) for existing cost recovery rate of over 70%, adopt an increase of about 10% or lower; and
- (c) adjust downward to full cost recovery for fees that are recovering more than the full cost.

5. The Administration has provided an information paper to members of the Panel on Development (DEV Panel) and it was circulated by the Secretariat to members on 15 July 2010. There was no discussion by the Panel on the paper.

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6. The latest legislative amendments proposed by the Administration to revise the fees and charges specified in the Regulations, which were partially similar to those proposed in the 2010 Amendment Regulation, were contained in the Waterworks (Amendment) Regulation 2000 (the 2000 Amendment Regulation), gazetted on 15 December 2000. The 2000 Amendment Regulation, among other things, proposed to revise the following fees and charges for:

- (a) providing and installing a meter (overlapping the proposed amendments in the 2010 Amendment Regulation to item 3 in Part I of Schedule 1 to the Regulations); and
- (b) testing a meter or a private check meter (including removal and refixing) (overlapping the proposed amendments in the 2010 Amendment Regulation to item 5 in Part I of Schedule 1 to the Regulations).

7. A Subcommittee was formed to study the 2000 Amendment Regulation. The Subcommittee expressed the following concerns:

- (a) notwithstanding the implementation of the Administration's Enhanced Productivity Programme in the Water Supplies Department, all the fees and charges under the Amendment Regulation were adjusted upward; and
- (b) property developer might transfer the increased cost for connection of water pipes to a main and provision/installation of a water meter to customers.

8. In response to members' concerns, the Administration advised that:

- (a) the Water Supplies Department had successfully contained the costs of providing various types of services, such as testing water samples and issuing a plumber's licence. Eight types of fees and charges under the Waterworks Regulation have not been revised since 1995 or 1996 and no proposal for revision was being contemplated. Efforts would continue to be made to explore efficiency improvement measures to alleviate the pressure for fee increases;
- (b) the connection of water pipes to a main and the provision/installation of a water meter involved new developments only and the fees and charges for these services were borne by property developers. Given the small adjustment of the fees and charges in absolute dollar terms and their insignificant amount vis-à-vis the total construction costs of a development, the cost impact on property developers would be immaterial and the proposed increases should not have a bearing on property prices; and

- (c) as regards the proposed increases in the fees and charges for testing meters of different sizes, those fees and charges applied to requests made by existing water account holders for checking the accuracy of their water meters when they had doubt on the water bill. If the water meter in question was found to over-register or under-register, no charge would be payable by the consumer.

9. At the Council meeting on 7 February 2001, two members moved motions on the 2000 Amendment Regulation. The first motion proposed to repeal it altogether. The second motion proposed to repeal four items under the Amendment Regulation involving the fees for testing a meter or a private check meter.

10. While some Members supporting the Amendment Regulation held the views that the fee increase would not have direct or substantial impact on the people's livelihood, the actual amount involved was insignificant and water account holders or trades affected by the increases were very few, some other Members opposing the increases expressed the following views:

- (a) increase in the fees for water pipe connection, irrespective of whether they were being payable by builders of small houses or developers of new buildings, would be passed to the general households ultimately;
- (b) for those customers who requested for meter tests, on top of a staggering water bill, they would have to foot the bill for the meter test. This was a barrier to the households and they should be given fairer treatment;
- (c) High fees for meter tests would discourage the public from seeking conduct of such tests; and
- (c) The fees for testing water meters had a direct impact on the people's livelihood.

Relevant papers

11. A list of relevant papers is in the **Appendix**.

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List of relevant papers

Date	Meeting/Event	References
8 June 2000	Panel on Planning, Lands and Work	Administration's paper on revision of Government fees and charges under the purview of the Works Bureau (LC Paper No. CB(1)1748/99-00(03) http://www.legco.gov.hk/yr99-00/english/panels/plw/papers/a1748e03.pdf Minutes http://www.legco.gov.hk/yr99-00/english/panels/plw/minutes/pl080600.pdf
13 December 2000	---	Legislative Council Brief http://www.legco.gov.hk/yr00-01/english/subleg/brief/358_brf.pdf
15 January 2001	Subcommittee on Waterworks (Amendment) Regulation 2000	Waterworks (Amendment) Regulation 2000 (L.N. 358/2000) http://www.legco.gov.hk/yr00-01/english/subleg/negative/ln358-e.pdf Legal Service Division Report (LC Paper No. LS 43/00-01) http://www.legco.gov.hk/yr00-01/english/hc/papers/ls-43.pdf Minutes (LC Paper No. CB(1) 750/00-01) http://www.legco.gov.hk/yr00-01/english/hc/sub_leg/sc01/minutes/sc011501.pdf

Date	Meeting/Event	References
19 January 2001	House Committee	Report of the Subcommittee on Waterworks (Amendment) Regulation 2000 (LC Paper No. CB(1) 478/00-01) http://www.legco.gov.hk/yr00-01/english/hc/papers/cb1-478.pdf
7 February 2001	Council meeting	Hansard http://www.legco.gov.hk/yr00-01/english/counmtg/hansard/010207fe.pdf
15 July 2010	---	Administration's information paper to the Panel on Development (LC Paper No. CB(1)2555/09-10(01)) http://www.legco.gov.hk/yr09-10/english/panels/dev/papers/devcb1-2555-1-e.pdf
October 2010	---	Legislative Council Brief (with no file reference) and Waterworks (Amendment) Regulation 2010 (L.N. 129/2010) http://lcsfcbtlbs1.legco.gov.hk/sharedoc/r&d/Waterworks(A)Reg2010-e.pdf
22 October 2010	House Committee	Legal Service Division Report (LC Paper No. LS2/10-11) http://www.legco.gov.hk/yr10-11/english/hc/papers/hc1022ls-2-e.pdf